

# EXPANDING ACCESS TO SAVINGS-LED FINANCIAL SERVICES IN BHUTAN: A SUCCESSFUL SOUTH-SOUTH TECHNICAL PARTNERSHIP

By Ann Duval



## Summary

The ancient Kingdom of Bhutan has moved towards increased socio-economic development and democracy over the past 50 years while maintaining its commitment to the pursuit of Gross National Happiness. The Bhutan Development Bank Limited (BDBL) has contributed to the country's progress, providing financial services to the rural poor since 1988. The MicroLead project, Expanding Access to Savings-Led Financial Services in Bhutan, has served as a catalyst for increasing financial inclusion in Bhutan; from project inception through 2013, BDBL has increased the number of depositors eightfold to more than 85,000 and doubled the number of borrowers to more than 38,000. Through a combination of factors—the right kind of external financing, appropriate technical assistance, and the receptiveness of BDBL staff and management—this project demonstrates that positive change is possible even in challenging circumstances.

## Bhutan: A unique experiment in development

The Kingdom of Bhutan is a very small country nestled in the eastern Himalayas, bordered by the Tibet autonomous region and India. Known by the Bhutanese people as *Druk Yul*, or Land of the Thunder Dragon, it has existed in relative isolation, sheltered from the world both by its geography and its policies. Until the 1960s, there were no roads, no electricity, no motor vehicles, no telephones and no postal services. In the 1970s, the country began to develop infrastructure, education and health facilities, but it was only in 1999 that television and the internet were introduced.

Bhutan gained international fame in 1972 when King Jigme Singye Wangchuck declared, "**Gross National Happiness is more important than Gross National Product.**" Since then, Bhutan has worked to balance economic development with the four pillars of Gross National Happiness: equitable and equal socio-economic development; preservation and promotion of cultural and spiritual heritage; conservation of the environment; and, establishment of good governance. Bhutan has succeeded in this great experiment in many ways. Overall, the economy has grown steadily: gross national income (GNI) per capita based on purchasing power parity (PPP) is one of the highest in South Asia at US\$6,200 in 2012; road and communication infrastructure is being developed; the culture and environment have been protected through sound management of natural resources and tourism; access to clean water, sanitation and education has increased greatly; and, the Government transitioned from an absolute monarchy to a multi-party democracy with the first parliamentary elections in 2008.

## Bhutan at a glance

Capital	Thimphu
Population	738,300
Rural population	64%
Total area	38,392 sq km
Forested area	73%
Currency	Ngultrum (Nu)
GDP growth rate (2012)	9%
GNI per capita, PPP (2012)	\$6,200
Rural population below poverty line	29%
Life expectancy	67 years
Mean amount of schooling	2.3 years
Human Development Index rating	141 out of 187

Sources: United Nations Development Programme and World Bank  
 Acronyms: GDP, gross domestic product; GNI, gross national income; PPP, purchasing power parity

## Meeting the challenge of serving the rural poor

Nevertheless, Bhutan remains a largely agrarian nation, with 64 percent of its 738,300 inhabitants living in rural areas. Most farming and animal husbandry activities are still practiced at subsistence levels and 29 percent of rural people still live below the poverty line. Most Bhutanese live in remote villages, often several days walk from the nearest road; one third of communities have no motorized access and only 40 percent of the population live within one hour's walk from a road. Bhutan's rural nature presents serious challenges for access to markets and financial services.

In 1986, the Royal Monetary Authority (RMA, Bhutan's central bank) began a rural credit scheme to promote rural development. With the assistance of the Asian Development Bank, this credit programme was transformed in 1988 into the Bhutan Development Finance Corporation (BDFC) to promote and finance industrial, agricultural and commercial enterprises. In 1990, it was registered under the Companies Act and, in 1998, RMA granted BDFC the authority to offer limited savings services in rural areas. By 2008, BDFC had expanded operations throughout the country to 23 branches, with the vast majority of its 18,627 borrowers and 10,948 depositors living and working in rural areas.



### A timely meeting of partners

Despite its continued growth, BDFC faced significant challenges—one of the most important of which was access to low-cost lending funds. BDFC had long depended on government subsidies, donor grants and low-cost lines of credit to survive because (i) RMA had restricted its deposit-taking activities to specific rural areas and (ii) it had a very low operating margin due to the high cost of rural services. By 2008, BDFC found its traditional sources of funds drying up and had applied for a full-fledged banking license. BDFC received a domestic banking license in March 2010 and re-registered as the Bhutan Development Bank Limited (BDBL) in July 2011.<sup>1</sup>

At the same time, the United Nations Capital Development Fund (UNCDF) was launching a flagship global initiative, 'Least Developed Countries Fund to Develop Savings-Led Market Leaders for Inclusive Finance,' better known as MicroLead. The goal of the programme, since grown to 19 countries, is to increase access to financial services, particularly savings, by supporting the expansion of savings-led microfinance market leaders in underserved countries.



Bhartiya Samruddhi Investments and Consulting Services Limited (BASIX), a group of Indian companies, was one of the first organizations to respond to the initial MicroLead offering. BASIX is a public purpose company established in 1996 in India and is the holding entity for a group of companies

comprising, among others, Bhartiya Samruddhi Finance Limited, a non-banking finance company and Krishna Bhima Sanruddhi Local Area Bank, a licensed bank. Through these and other affiliates, BASIX provides a variety of microfinance and livelihood services to more than 1.6 million poor across 17 states in India. As an outgrowth of the group's success, BASIX began providing technical assistance to other microfinance institutions (MFIs) in 2000.

With UNCDF support, BASIX undertook feasibility studies in nine countries in South and East Asia and the Pacific,

including Bhutan. BASIX was searching for partner institutions that were reasonably disposed to receiving outside technical assistance, that were providing savings-based financial services, and with which they could have the maximum impact. BASIX felt it had found a good candidate in Bhutan with BDFC.

### Developing a workable partnership

A partnership between BASIX, an experienced and successful microfinance practitioner from India, and BDFC, a growing development finance institution in Bhutan, seemed a perfect match in several ways. First, there are long-standing close ties between the two countries; since 1949, there has been an Indo-Bhutanese accord under which Bhutan receives annual subsidies and India assumes great responsibility for Bhutan's defence and foreign relations. Bhutan's economy remains closely aligned with India's through strong trade and monetary links. Further, BASIX found that the geographic and demographic context was very similar to areas of eastern India where BASIX is active and determined that there was a good operational fit between BDFC's needs and BASIX's expertise.

“ There was a good operational fit between BDFC's needs and BASIX's expertise. ”

The project nevertheless got off to a rocky start in February 2009 and subsequently required multiple visits and extensive discussion and negotiation of project activities and targets in order to prepare a detailed implementation plan, submitted to MicroLead in November 2009. When reflecting on this period, a BDBL manager said, “Initially, we didn't give importance to this idea; we really didn't think the project would go through. BASIX developed the first proposal on its own and, when we saw it, we were shocked because most of the funds were going to BASIX. So, we rejected the proposal. Then, other BASIX managers came back and spent a month to re-work the proposal with us.” A BASIX manager said, “It took a lot of convincing to show BDFC the benefits of the project. We had to figure out and then show how BDFC could integrate the microfinance work that had to be done. It took three or four iterations to set project targets together.”

BASIX, BDFC and UNCDF's MicroLead signed a tripartite performance-based agreement in December 2009 for the Expanding Access to Savings-Led Financial Services in Bhutan project. The total budget of the four-year project was almost \$1.8 million, of which 61 percent (\$1.1 million) supported BDBL's internal costs related to capacity-building and 39 percent (\$0.7 million) went to BASIX for the cost of providing technical assistance to BDBL.

1. BDBL ownership is as follows: Royal Government of Bhutan, 95.67 percent; Bank of Bhutan Limited, 2.50 percent; Royal Insurance Company of Bhutan, 1.00 percent; Bhutan National Bank Limited, 0.83 percent.

The performance-based agreement outlines a number of performance targets that were negotiated and agreed upon by the three parties. In order to achieve these targets, the detailed implementation plan negotiated by BASIX and BDBL outlined 14 key result areas that spanned a range of topics, from expanding outreach through the development and promotion of credit and savings products, to improving fund, risk and treasury management, to introducing a social performance management system and participating in

policy-level microfinance discussions. Each year, BASIX and BDBL jointly developed an annual work plan to achieve these results and submitted it for approval by both the Bhutan Gross National Happiness Commission and MicroLead.

The following table shows project targets and results for each year through 31 December 2013.

### *Targets from performance-based agreement with actual achievements*

Indicator	Baseline 2008	31 Dec. 2009		31 Dec. 2010		31 Dec. 2011		31 Dec. 2012		31 Dec. 2013	
		Target	Actual								
Number of active borrowers	18,627	21,964	19,359	26,357	24,519	32,946	27,874	42,830	33,322	57,820	38,868
Percentage of female borrowers	40%	40%	36%	40%	36%	45%	37%	55%	38%	55%	39%
Number of active depositors (voluntary)*	10,948	14,299	13,848	18,589	22,767	26,024	36,743	39,036	51,510	58,554	73,399
Financial self-sufficiency	126%	125%	160%	125%	161%	125%	156%	125%	n/a	125%	n/a
Operational self-sufficiency	126%	125%	170%	125%	173%	125%	n/a	125%	149%	125%	138%
Portfolio at risk at 30 days	27%	25%	21%	20%	21%	15%	14%	10%	15%	10%	12%
Percentage of rural clients	89%	89%	84%	89%	89%	90%	90%	91%	90%	90%	91%
Average loan balance per borrower/GNI/capita	1,058%	429%	163%	375%	163%	325%	173%	282%	195%	241%	170%
Average savings balance per saver/GNI/capita	12%	18%	21%	18%	64%	20%	63%	21%	60%	23%	61%

\* Does not include the depositors who are required to save as members of lending groups.



## Project successes

The project has achieved significant success both in surpassing savings outreach targets and profitability targets and in a harder-to-measure shift in attitudes and culture within the bank.

The technical assistance provided under the project enabled BDBL to meet one of its most critical targets—as of 31 December 2013, the number of voluntary depositors increased almost sevenfold to 73,399, surpassing the proposed project target by almost 15,000. The total number of depositors was even greater at 85,864, with the difference due to members of lending groups required to save with the bank. Although most of the increase in deposits came in small amounts from rural clients, due to the design and active promotion of new savings products introduced by BASIX, the average savings balance per depositor/GNI per capita increased to 61 percent because the bank was also pursuing

larger, commercial depositors to stabilize its funding base. BDBL also surpassed self-sufficiency targets, registering an operational self-sufficiency of 170 percent at the end of 2013. Although growth in the number of active borrowers did not meet targets, the number of borrowers did double in five years, from 18,627 to 38,868.

Numbers aside, the project partners feel the project has been very successful in helping BDFC complete its transformation from a limited non-bank financial institution to a licensed domestic bank, now able to provide an array of financial services to a broader clientele. BDBL staff interviewed for this case study consistently attributed fundamental change in the bank's operations to the project and BASIX's assistance. Their comments underline the fact that, although the bank previously had been able to take deposits on a limited basis, it was not undertaking 'banking' in the true sense of the word.

Interviews with more than 20 BDBL and BASIX managers and staff, on-site and off, revealed the reasons for the project successes: effective long-term technical assistance and experienced leadership.



### BDBL staff comments on how the project fostered the transition to a bank

"The bank is totally different now. There is so much change that it was almost like starting a new bank."

"The project came at the right time and took us from lazy banking to active banking. As the BDFC, our money came from donors or from the government, we didn't have to work to get funds—we just disbursed money. BDFC wanted to become a bank because the donor credit lines were drying up. BASIX was there to guide us, if the project was not there, the transition would not have been so easy."

"BASIX was our main support. We were used to the easy life, just waiting for people to pay, but with BASIX we began to get an idea of what a bank does."

"Technically, we were not sound, even in our core business of credit. We never thought of competitors, we thought we would always be there because we are a government bank. We didn't understand banking."

Many BDBL staff also praised the project for the way it helped them to learn as individuals and attributed it with changing the very culture of the bank, from a 'typical' government-owned development finance institution to a customer-driven and responsive bank.



## BDBL staff comments on learning and adopting a new bank culture

"Before the project we were lazy, not focused, no one supervised us. With this project we had targets and the consultants were pushing us from behind."

"They [BASIX] helped improve our image as BDBL and changed our working culture. India and Bhutan are totally different, in Bhutan everything is easy and carefree, and the consultants taught us the value of time and money."

"I learned more personally in the last 3 years than in my previous 17 years at the bank. It was great TA [technical assistance], it forced us to transform to a bank and all was made possible by the project."

"I have reached a level of experience in 4 years that I wouldn't have in 10 years. As an individual I have learned so much, this has been one of the most important things that changed my life."

"The project really awakened us to do business. Before we were happy-go-lucky, getting a paycheck at the end of the month whether we had customers or not."



BDBL team, from the field and headquarters, meeting for a workshop in Thimphu

### *Dedicated and high-quality technical assistance*

BASIX provided many avenues for growth and development of the staff and the bank overall, including the following: two long-term resident technical advisors; a wide array of short-term consultants who developed systems, proposed new procedures and wrote manuals for specific areas of bank operations; multiple training opportunities for most of the staff, both in-country and abroad; and, exposure visits for BDBL board members, managers and staff and for select farmer clients.

Of all these efforts, both BASIX and BDBL agree that the real key to success of the project was having long-term advisors on-site to provide what BASIX calls 'hand-holding.' In this respect, BASIX and BDBL staff had similar things to say. From a BASIX manager: "BDBL already had a lot of short-term consulting, but on specific small projects or topics, and those reports all just sit in the library. It was having two advisors who worked at the head office but also went out into the field all the time that made the difference." From a BDBL manager: "[BASIX] being here made a lot of difference. Everyone could go to the PMU [Project Management Unit] even with petty problems and people felt that the BASIX

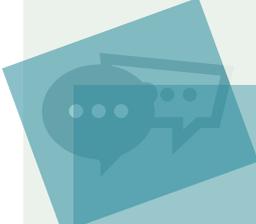
team was a part of BDBL.” And, as one of the two long-term advisors said, “Other consultants previously might have been better than BASIX consultants, but they had no one who stayed on the ground that staff could access when they had implementation problems ... we were there to help them all the time.”

### *Experienced and motivated leadership*

Although BDBL staff greatly appreciated BASIX assistance, progress remained slow for the first two years of the project, which was not surprising given BDBL’s understanding of and experience with ‘real banking’ at project inception and that all senior managers had been with the bank for more than 20 years. Then, in early 2012, BDBL experienced a sea change in the form of a new managing director. When Pema Tshering was appointed to the position, he brought many years of relevant experience: 17 years with RMA, during which he obtained a Master’s degree from the School of International and Public Affairs at Columbia University; 2 years with the IMF in Washington, DC; and, several years as executive director of the Royal Insurance Company of Bhutan, where he successfully addressed corruption and mismanagement.

“ *Having advisors here all the time made the difference.* ”

Since he joined the bank, Mr. Tshering has emphasized innovation and is clearly committed to leaving a legacy of a successful bank. Mr. Tshering acknowledges the great impact of the project on the bank’s human resources, systems and culture, and agrees that it has laid the foundation for a successful bank. He also says that he intends to continue “coming after people like a lion or tiger” in order to ensure lasting change. He spent the first six months analyzing how things work in the bank before beginning to motivate staff for further change, and he made a bold decision that contributed to a sudden and substantial increase in the bank’s deposit base. With BDBL on the brink of another serious liquidity crunch in early 2012, needing to raise \$37.6 million<sup>2</sup> to be able to honour term deposits coming due and to meet new branch borrowing requirements, he decided to offer higher interest rates on deposits than any other bank, thus attracting enough medium-term funding from large depositors to weather the crisis and positioning BDBL to enter its next phase of development.



### Advice for success from the BASIX long-term advisors

Be sure you understand the situation before suggesting anything.

Address the institution’s priorities first to build buy-in.

Work in collaboration and get staff input to make services demand-driven.

Find the synergy between professional and personal relationships.

Build relationships and trust and confidence will follow.

## Project challenges

BDBL has not achieved some key targets, notably in portfolio quality. In addition, BASIX and BDBL faced significant challenges implementing several organizational innovations.

BDBL has not been able to meet the key performance targets related to portfolio at risk (PAR). PAR over 30 days (PAR>30) was projected to decrease from 27 percent to 10 percent, but remained at 12 percent as of 31 December 2013 and, when disaggregated, the microfinance portfolio was faring even worse at 20 percent. Portfolio quality is of considerable

concern to UNDCF. As MicroLead programme manager Pamela Eser remarked, “It appears that there was so much focus on attaining the borrower targets that perhaps loans were made without much serious analysis. The last thing we want to see is an institution with high PAR, which is mobilizing savings from rural poor populations.” BDBL also has not been able to meet targets for reaching more women clients, with the percentage of female borrowers declining from 40 percent in 2008 to 39 percent in 2013, instead of increasing to the 2012 target of 50 percent.

2. Average exchange rate for 2012 was 1 BTN = 0.0188 US\$.

Both BASIX and BDBL also agree that BDBL has fallen short in implementing several key project activities. The two most important pending activities are (i) introducing handheld electronic devices for staff that would greatly reduce the cost of field operations, improve service to rural customers, increase the bank's ability to access on-time financial and operational information, and minimize the possibility of fraud among far-flung and under-supervised field staff; and (ii) implementing a performance management system that would hold staff accountable for results and associate bonuses to performance for the first time.

The challenges trace to entrenched attitudes and low staff capacity, an incomplete understanding of the bank's lending practices at project inception, inadequacies in the core banking system and the lack of a credit culture.

### *Entrenched attitudes and low staff capacity*

BASIX encountered a long-standing bureaucratic culture that, while not surprising for a government-owned development bank, inhibited the achievement of project objectives in the first years of the project. The earlier quotes from BDBL staff not only point to the effectiveness of BASIX assistance, but also underline the culture that dominated the bank at project inception; management and staff now acknowledge that, prior to the project, they were practicing 'lazy banking' with little active management oversight. The adoption of new lending techniques based on analysis rather than collateral has been slow and, despite improved attitudes, resistance remains high to implementing a performance management system on a quarterly basis and to setting and meeting PAR>30 targets.

Lacunae in staff capacity have also contributed to limited project progress. According to the financial advisor hired by the new managing director, human capacity and staff training remain key issues for the bank. He feels there are very few individuals in the bank who are well trained, not just in finance but in all areas of the bank, including treasury management, credit, and information technology and systems. This gap is representative of Bhutan as a whole, where most people have adequate general but not professional qualifications; as an example, he cites the fact that there are only 23 chartered accountants in Bhutan. In light of staff capacity, some of the systems proposed by BASIX, such as the performance management system and a new business planning template, were overly complex, which also hindered their implementation.

### *Incomplete understanding of the bank's lending practices*

The project focuses on micro-financial services but BDBL was not practicing micro-lending as understood in most places. For example, BDBL's average loan term ranged from 5 to 10 years and most of its lending was collateral-based. Additionally, much of BDBL's agricultural lending is seasonal in nature; loans disbursed and repaid on time during the course of a year are not captured in assessments of the bank's portfolio at year end. Therefore, there was a disconnect between the project's portfolio quality targets—set to measure PAR>30 in line with international norms—and the practices of BDBL and norms set by RMA, which focus provisioning policies on PAR over 90 days (PAR>90). While the project's PAR>30 targets do not align with the bank's lending practices, BDBL management agrees that, definitions aside, there is a serious problem with loan repayment across the board.



Branch manager and short-term consultant during a field visit to the mobile banking centre in Punakha

As one of the BASIX advisors observed, “There is a distinction between ‘pure’ MFIs and a rural bank; they need different targets and, with the latter, you have to look at the bank as a whole when setting targets.” And, as the other advisor commented, “Maybe PAR>30 should not have been the target. Things are not always how we see them. In microfinance this target is written in the bible but for the BDBL, with microfinance only representing one percent of their portfolio and with RMA regulations that focus on PAR>90, the BDBL didn’t see PAR>30 as an acceptable norm.”

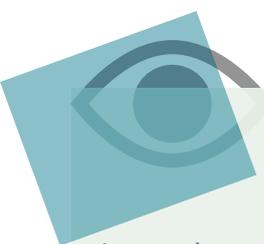
### *Inadequate core banking system*

The deficiencies of the core banking system have had negative effects on project implementation. When BDBL purchased the system, it chose a cheaper, basic configuration that would allow it to develop its own tailored reports. However, staff has never been able to develop the accurate and timely reports needed for effective management. One of the project activities was to segregate ‘micro’ loans<sup>3</sup> and deposits and to track that portfolio regularly, but this activity has not been institutionalized. During the first year of the project, it was discovered that the baseline number for microloans had in fact been over-reported, which has affected the achievement of project targets. It also became apparent that the system was configured to highlight PAR>90, in line with the dictates of RMA but not in line with project performance targets. BDBL has experienced

continued frustration with the system vendor due to inadequate technical support, which has affected its ability to implement technological advances such as handheld devices for credit officers and ATMs. Further, the financial advisor discovered anomalies in the 2012 draft financial statements that cast doubt on the system’s overall accuracy.

### *Lack of a credit culture*

BDBL and BASIX staff alike attested to the difficulty of introducing banking services to a largely illiterate and geographically remote clientele who operate at the subsistence level. Not only is it difficult to provide cost-effective financial services, the clients’ limited abilities to market their products and the lack of a credit culture also contribute to difficulties in maintaining acceptable portfolio quality. The rural population of Bhutan has very little experience with and understanding of financial services. Having grown up in an isolated society with limited exposure to formal financial services, most Bhutanese have never had the opportunity to deposit their savings with a financial institution, let alone access a loan. The fact that the Government has used BDBL to provide subsidized loans, targeted to specific rural areas or activities, has exacerbated the issue. As one BDBL manager said, “In our language, ‘kidu’ means grants (and the Government used to give a lot of kidu) and ‘kindu’ means loans. Clients still think the two mean the same thing but we are changing the mindset.”



## Lessons learned

Among the many lessons learned by the project partners, two emerge as key: the need to undertake adequate due diligence of the implementing partner prior to project implementation, and the need to understand and allow time for the dynamics of change management.

### *Undertake adequate due diligence prior to project*

It is important to carry out an in-depth institutional assessment before devising and committing to a technical assistance programme, in order to thoroughly understand the challenges and the assistance that is most critically needed. Despite the prolonged project negotiations, BASIX negotiated project targets and signed an agreement based on its rapid feasibility study, without a full understanding of BDBL; it was only after the long-term advisors had been on-site for several months that BASIX began to understand the depth and dimension of the needs. With a more in-depth assessment of BDBL (whether conducted by BASIX or by a third party) that included important elements such as a systems audit and an in-depth assessment of staff capabilities, BASIX would have been better positioned not only to suggest more realistic and appropriate performance targets but to narrow the technical assistance to fewer interventions that could have been more easily absorbed by staff and that may have resulted in more significant improvement in credit management.

### *Understand dynamics of change management*

Change is about people and people are notoriously resistant to change. It is particularly difficult to shift long-held attitudes and overcome organizational inertia in a 25-year-old development bank. Change takes time—both for the technical service provider (TSP) to understand the organization and how best to foster change, and for management and staff of the implementing partner to develop new attitudes and to learn new ways of operating. Change also requires leadership. While an experienced TSP providing on-the-ground, long-term assistance is critical to achieving improved performance, deep organizational change will not happen without experienced and engaged management at the top.

3. Microloans were defined for project purposes as any loans less than Nu100,000, or about \$1,900.



## Advice from project partners

BASIX and BDBL have learned important lessons over the past four years and were happy to share some advice with others who are interested in embarking on this type of project:

### Choose an experienced technical partner

- “If you are looking for technical assistance, start with long-term consultants who have experience on the ground working in a similar environment.”
- “If you don’t have microfinance experience (as a TSP), don’t do it; you won’t be able to anticipate and meet the challenges.”

### Understand that it takes time

- “First there has to be ample time to understand an organization. In the time it takes to develop a feasibility study, you can get financial and other quantitative information but you can’t understand the organizational culture. It is only once you understand the organization from within that you can really understand the interventions and activities that are needed.”

### Be flexible

- “You need more flexibility in setting targets and in deciding how to achieve them. It would work best if we could set broad targets at the outset and then revise them after six months or a year. Only after working for that time can you understand not only challenges but also opportunities you may have missed.”

### Don’t try to do everything

- “A lot of consultants came to work with us, especially in 2010. There were too many consultants—we had someone coming every month.”
- “The needs should have been prioritized. BASIX did the best it could but it was not 100 percent perfect. The impact is diluted when you work in so many areas.”

### Ensure active donor involvement and transparent communication

- “It is very essential for the donor engagement to be there. Serious gaps in the project need serious face-to-face talking. I would recommend more oversight by the donor, with visits at least once every two years.”
- “The donor should ask questions about meeting targets to the implementing partner, not just to the TSP. When the donor questions the TSP with a copy to the bank it causes friction; it should be the other way around.”

## MicroLead—A global thematic initiative

UNCDF's first global thematic initiative supports the expansion of financial service providers (FSPs) that pursue a savings-led approach, in the belief that savings, not credit, will allow low-income populations to take control of their complicated financial lives. Initiated in 2008 and funded by UNCDF and the Bill & Melinda Gates Foundation, MicroLead first focused on 'greenfielding' in least developed countries, awarding grants and loans to proven market leaders. The programme's goal was to reach 525,000 new clients by 2013. **By the end of 2013, MicroLead partners surpassed this goal by reaching 730,000 new depositors.**

Since 2011, the programme has expanded with funding from The MasterCard Foundation and the Livelihoods and Food Security Trust Fund (LIFT) in Myanmar. This new phase of the programme includes capacity-building by technical service providers with FSPs poised for significant growth in providing deposit services to low-income populations, outreach to rural areas and outreach to women. The new projects funded by MicroLead Expansion include bank downscaling and 'greenfielding,' financial cooperative creation and strengthening, village savings and loan association linkages to formal financial institutions, microfinance institution transformation into deposit-taking institutions, human-centred product design development, and deployment of alternative delivery channels such as mobile money, agents and point-of-sale devices. With specific emphasis on deposit mobilization, women, rural markets, and technology, MicroLead Expansion will reach over one million additional small-balance depositors by 2016.

### MicroLead results in a nutshell

- To date, the programme has awarded funding, totalling \$43.5 million, in 19 countries for 27 projects (working with 36 FSPs).
- Eclipsing its own targets, MicroLead's first phase, which involved 19 of the 36 partner FSPs, surpassed its 2013 target of 525,000 new depositors and instead reached 730,000 new depositors.
- The target of MicroLead Expansion, working with 17 FSPs and ending in June 2017, is to reach over one million rural depositors in sub-Saharan Africa and over 100,000 rural depositors in Myanmar.

July 2014  
Copyright © UN Capital Development Fund  
All rights reserved.

The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNCDF, or their Member States

BILL & MELINDA  
GATES *foundation*

